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GENEVA AND BRUSSELS FOR USTR

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TAGS: [ECON](#) [ETRD](#) [WTO](#)  
SUBJECT: DEMARCHE ON MAINTAINING ITA DUTY-FREE COVERAGE

REF: 06 STATE 178455

¶1. Summary and Action Request: The USG has raised several proposals relating to the WTO Informational Technology Agreement (ITA) at the WTO Committee for the Expansion of Trade in Information Technology Products (ITA Committee), expressing concerns that ITA members such as the European Union (EU) may no longer be providing duty-free treatment on certain ITA products. All ITA Members, but especially those countries/entities which are significant exporters of ITA products, should take a special interest in this issue. The ITA Chair has called for an informal meeting in Geneva to discuss this issue on March 6. Action addressees are requested to meet with appropriate host country/entity officials in advance of this meeting to seek support for the U.S. position, drawing from the background talking points in paragraph 7. End summary and action request.

#### OVERVIEW OF THE ITA ISSUE

¶2. The United States is concerned about specific actions or proposals by the EU that would no longer guarantee duty-free treatment for certain ITA products. We understand that duties as high as 14 percent could be applied to imports of these ITA products, products that are not only commonly used by millions of businesses and consumers but are produced and exported from many developed and developing economies such as China, Malaysia, Korea, Chinese Taipei, Indonesia, Philippines, Thailand, Vietnam Costa Rica, Hong Kong, and Singapore. Total EU imports of these products were valued as high as US\$20 billion in 2005.

¶3. All ITA signatories committed to bind and eliminate customs duties on ITA-covered products. This commitment, in our view, applies to all ITA products, even technologically advanced or sophisticated versions of the same products. The USG believes that subjecting technologically advanced versions of ITA-covered products to tariffs meets neither the spirit nor the letter of the ITA agreement.

¶4. More information about these specific products can be found in the U.S. proposal tabled at the last informal meeting of ITA Committee (G/IT/W/26), available on the WTO web site. Please also refer to previous demarche (reftel) on this issue as well as two earlier proposals that the U.S. has submitted to the ITA Committee (G/IT/W/21 and G/IT/W/23 at the WTO web site) if needed. Japan has partnered with the United States in consistently raising raise this issue and APEC Ministers also made a statement in support of maintaining duty-free coverage for ITA products in November.

¶5. Geneva-based representatives from Korea, Malaysia, Hong Kong, Singapore, Canada, Vietnam, Philippines, and Chinese Taipei either publicly or privately expressed interest or initial support of the U.S. position on this issue during the last informal ITA meeting on January 19. However, many of these representatives have also informed us that they have not received instructions or guidance from their own capitals or industry associations. With the especially busy schedule of WTO Doha/NAMA negotiations during the next few months, they may need specific instructions from their capitals in order to express more vocal support at future ITA Committee meetings.

¶6. Support from other ITA members is crucial at this juncture. The United States and Japan originally proposed the notion of informal consultations between ITA Members in Geneva to discuss this issue. The next round of informal consultations is scheduled for March 6. However, without the support of other Members, the Chair could decide to dissolve such consultations, perceiving this not as a global issue but as a dispute between the EU on one side and the United States and Japan.

#### BACKGROUND POINTS

¶7. Action addressees should draw from the following background talking points when discussing this issue with host government officials:

-- Before the last formal meeting of the ITA Committee on October 31, we asked for your support on a U.S. proposal that raised concerns about ITA products that are in danger of no longer receiving duty-free treatment from the EU. We thank you for the support of your Geneva representatives at that meeting, which prompted the approval of informal consultations between ITA Members on this issue.

-- The first round of informal consultations was held on January 19. Geneva representatives did privately express support for the U.S. position on this issue after the meeting. However, we will need more vocal support during the next round of informal consultations tentatively scheduled for March 6 if we are to continue to raise this issue.

-- The EC has already or is considering applying duties as high as 14 percent on imports of several ITA products including set-top boxes with a communication function and computer LCD flat panel displays. This is an important issue with potentially negative consequences that could affect many economies-not just the United States. Total EU imports of these products are valued at over \$20 billion, including significant amount of imports from (your country/entity).

-- We provided trade data showing the impact of these proposals to your representatives in Geneva and are happy to provide these to you as well. We would also request that you review the document that the U.S. provided during the January informal consultations (G/IT/W/26) for more information about some of the specific ITA products that are of concern to us.

-- All parties to the ITA made a commitment that for those products specified in the ITA, customs duties shall be bound and eliminated. The United States feels that we should be moving in the direction of enhancing market access opportunities for information and communications technology (ICT) products, not increasing tariffs on products already covered by the ITA.

-- As an ITA Member (and an exporter of ITA covered products), we would encourage you to participate in the March informal consultations and to raise concerns or questions about the products we mentioned or other specific products that are of concern to you. Without input from other Members, the Chair could decide to dissolve such consultations.

-- The United States and partners are sending representatives from our respective capitals to the next informal meeting in early March. We encourage you to provide your representatives with instructions to offer statements of support for a continued dialogue on this issue during the meeting.

-- The EU has expressed their wish to avoid further discussion on this issue until the ITA Committee addresses how to update the original ITA product list to include additional products. We feel that there is nothing to be gained from this strategy. We should not be negotiating on expanding the ITA to cover additional products in return for maintaining duty-free treatment for products that are already covered under our commitments.

-- The tenth anniversary of the ITA will be observed with a symposium on March 28 - 29. We would also encourage your participation in the symposium as an excellent opportunity to highlight the benefits of ITA membership such as advancing the development of ICT infrastructure, spurring innovation in the ICT industry, and facilitating the overall growth of ITA Member economies.

END BACKGROUND POINTS

18. The Office of the United States Trade Representative (USTR) thanks Posts for their assistance in this matter. Questions relating to this issue should be directed to Jason Bernstein, Director for Tariff Affairs (Jason.Bernstein@USTR.EOP.GOV, 202-395-6577) or Eric Holloway, Office of Technology and Electronic Commerce, U.S. Department of Commerce (Eric.Holloway@mail.doc.gov, 202-482-4936).  
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